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No. 87-814

IN THE

Supreme Court of the United States

OCTOBER TERM, 1987

TERMINAL REALTY PENN COMPANY,
Petitioner,

v.

SEYMOUR AUERBACH,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the District of Columbia Circuit

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RESPONDENT'S BRIEF IN OPPOSITION

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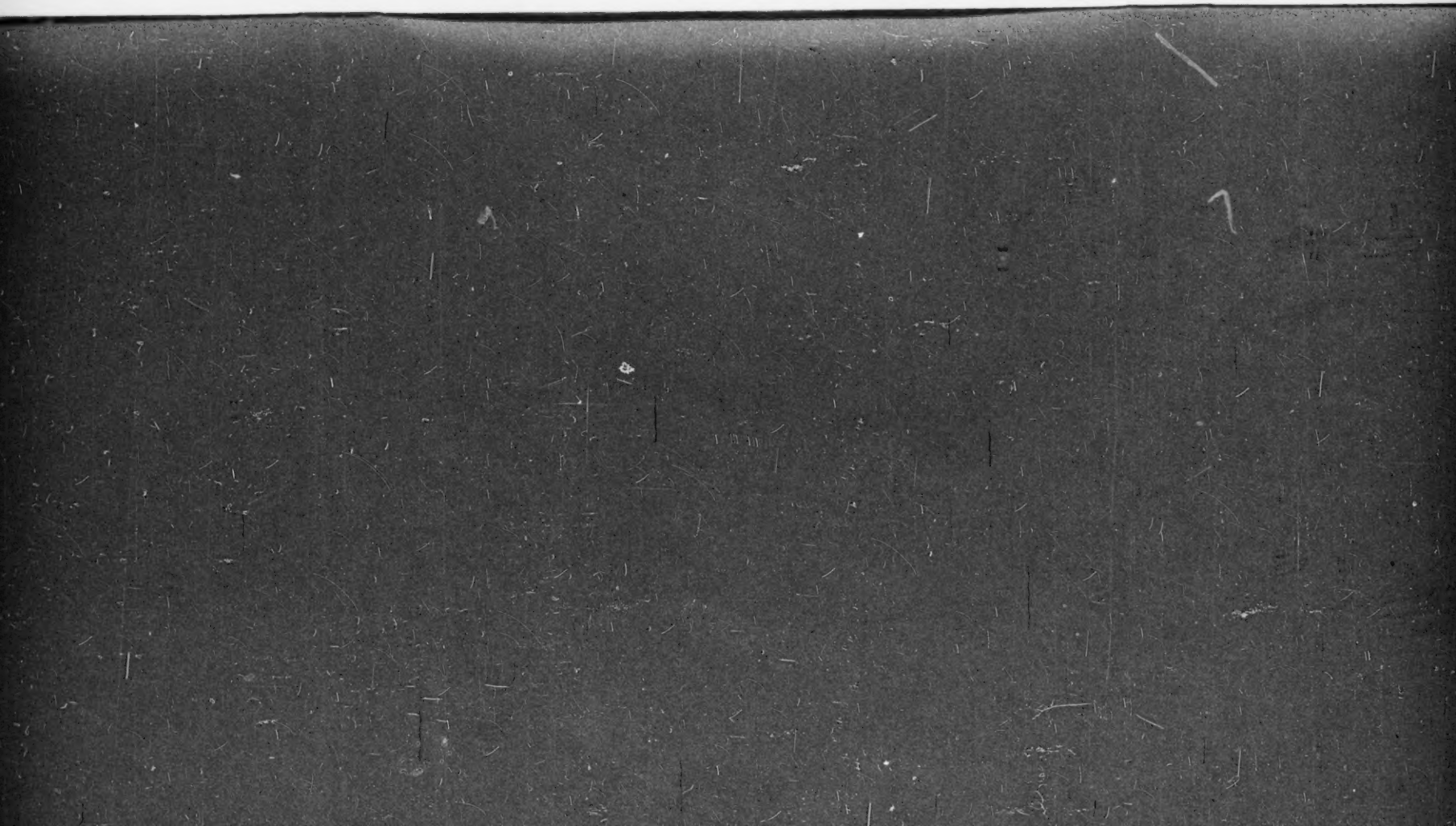

QUESTION PRESENTED FOR REVIEW

Whether the United States should be liable under 28 U.S.C. § 1498(b) for copyright infringement when it has not consented to infringement expressly or implicitly, but merely turned a half-finished building over to the District of Columbia to complete, and the District hired a new architect to do construction drawings for the project, who in turn copied the original architect's unpaid-for construction drawings, and passed them off to the District as its own drawings.

TABLE OF CONTENTS

	Page
QUESTION PRESENTED FOR REVIEW	i
STATEMENT OF THE CASE	1
1. The Contracts	1
2. 1968-1977 Construction Phase	3
3. 1981-1986 Construction Phase	5
4. Distribution of Liability	7
5. Ownership of Drawings	8
6. Congressional Hearings	9
7. Rulings Below	11
REASONS WHY THE PETITION SHOULD BE DENIED	11
1. The Court of Appeals Decision is Faithful to the Language and Legislative History of 28 U.S.C. § 1498(b)	11
2. There is No Conflict in the Law Since the Cases Interpreting 28 U.S.C. § 1498 are Clear that the Consent Must be to the Infringement, Not Merely to the Work Being Performed Under the Contract	15
a. The Single Copyright Case Under § 1498(b)	16
b. Patent Cases Under § 1498(a)	16
3. Consent to Infringement Need Not Be by Express Formal Agreement	18
a. The Bereslavsky Case is Not in Conflict	19
b. Mere Government Use of a Product Involving Copyright Infringement by the Contractor is Not Implied Consent to the Infringement	20
c. The Court of Appeals Decision is Not Inconsistent With Richmond Screw Anchor	22
CONCLUSION	23

TABLE OF AUTHORITIES

CASES Page

Bereslavsky v. Esso Standard Oil Co., 175 F.2d 148 (4th Cir. 1949) 17-20
Carrier Corp. v. United States, 534 F.2d 244 (Ct. Cl. 1976) 14, 17, 18, 21
Combustion Engineering, Inc. v. Murray Tube Works, Inc., 222 USPQ 239 (E.D. Tenn. 1984) 16, 21
Consolidated Vacuum Corp. v. Machine Dynamics, Inc., 230 F. Supp. 70 (S.D. Cal. 1964) 17, 21
Croll-Reynolds Co. v. Perini-Leavell-Jones-Vinell, 399 F.2d 913 (5th Cir. 1968), *cert. denied*, 393 U.S. 1050 (1969) 17, 18
Decca Ltd. v. United States, 640 F.2d 1156 (Ct. Cl. 1980), *cert. denied*, 454 U.S. 819 (1981) 13
Hughes Aircraft Co. v. United States, 534 F.2d 889 (Ct. Cl. 1976) 17, 18
Leesona Corp. v. United States, 599 F.2d 958 (Ct. Cl.), *cert. denied*, 444 U.S. 991 (1979) 13
Molinaro v. Watkins-Johnson CEI Division, 359 F. Supp. 467 (D. Md. 1973) 17, 18
Richmond Screw Anchor Co. v. United States, 275 U.S. 331 (1928) 22
Rochester Methodist Hospital v. Travelers Ins. Co., 728 F.2d 1006 (8th Cir. 1984) 23
United States v. Mitchell, 445 U.S. 535 (1980) 13
Windsurfing International, Inc. v. Ostermann, 534 F. Supp. 581 (S.D.N.Y. 1982) 13, 17, 18
Wood v. Gulf Atlantic, 296 F.2d 718 (D. Ala. 1924) 17, 21

TABLE OF AUTHORITIES—Continued

STATUTES Page

17 U.S.C. § 106 20
17 U.S.C. § 501 20
28 U.S.C. § 1498 ..... *passim*
35 U.S.C. § 271 ..... 20, 21
40 U.S.C. §§ 801-810 (1968) 2
40 U.S.C. §§ 811-819 (1981) 5

MISCELLANEOUS

Union Station-National Visitors Center Hearings on S.548 and S.1192 Before the Senate Committee on Environment and Public Works, 97th Cong., 1st Sess. 6-8 (1981) 9
Senate Report No. 1877, 86th Cong., 2d Sess. (1960) 12-13

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RESPONDENT'S BRIEF IN OPPOSITION

The Respondent, Seymour Auerbach, respectfully requests that this Court deny the petition for writ of certiorari.

STATEMENT OF THE CASE

1. The Contracts.

In 1968, the Secretary of Interior entered into an agreement with the owners of the Union Station Building in Washington, D.C. The owners of the Union Station premises were and are Terminal Realty Penn Co. ("TRP") and Terminal Realty Baltimore Co. ("TRB") (hereinafter collectively referred to as "the Railroads"). The agreement called for the renovation of the Union

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Station Building and the construction of an adjacent parking facility building on the premises pursuant to the National Visitor Center Facilities Act of 1968, 82 Stat. 43, 40 U.S.C. §§ 801-810. This agreement provided that the United States would lease the Union Station property from the Railroads, and the Railroads would take care of the renovation and construction out of the proceeds of a bank loan in the amount of $16 million.

In 1969, the Railroads entered into a contract with the architect firm of Walton, Madden, Cooper & Auerbach [1] to provide the architectural services for the renovation of the Union Station building (Project 1), and for the construction of the parking facility (Project 2), as well as other projects. TRP Exhibit B-1.[2] The parking facility is the only project relevant to this action.

Originally, the construction budget for the parking facility part of the work was about $11 million. Auerbach was to be paid as follows:

> "E. (1) Architect (and Associates) shall receive a fee from the proceeds of the Loan for the services provided herein and with respect to the following:
>
> "(a) Project (1) (alteration of the Union Station Building)—the sum of $287,000.
>
> "(b) *Project (2) (parking facility)—the sum of $430,000.*
>
> "All [construction] costs associated with Project (1) are not to exceed $5,000,000, and the total cost of Project (1) and (2) is not to exceed $16,000,000. The opinion of the Owners [The Railroads] will determine the final allocation of those costs." TRP Exhibit B-1. (Emphasis added.)

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[1] The contract was assigned to the Auerbach architect firm in 1970.

[2] The exhibits referred to are contained in the record below and will be reproduced if this Court deems it necessary to grant review.

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The fixed sum of $430,000 was to be Auerbach's fee for preparing drawings for that portion of the parking building that could be built for $11 million. However, it was expected that the full 4,000 car parking facility would cost much more than $11 million. *See* Auerbach Exhibit 4. The contract therefore further provided that if additional construction funds became available, Auerbach was to be paid additional fees to be negotiated as follows:

> "E. (3) . . . Should additional funds become available for [Projects] (1) and (2) above, or other projects be added to the scope of the work, fees shall be negotiated on the basis of the recommended fee schedule of the Potomac Valley Chapter of Maryland of the A.I.A." TRP Exhibit B-1.[3]

This provision of the contract is particularly important because it relates to whether Auerbach was ever paid for the portion of his drawings that were copied without his permission. In compliance with this contract, Auerbach hired Sverdrup & Parcel, an engineering and architectural firm and one of the defendants below, to provide engineering consulting services to Auerbach in preparing the drawings and specifications.

2. 1968-1977 Construction Phase.

In designing the parking facility, Auerbach drew schematic plans for a 4000-car garage, as Congress had contemplated. It was soon confirmed that a garage this size could not be completed with the funds available and the Railroads asked Auerbach to cut back the plans, which he did.[4] The cutback garage was approved by the

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[3] That fee schedule when applied to the factors present here, indicates a fee of about 5% of the cost of construction.

[4] He did the cutback work at his own expense, as required by the contract, since he was not to be paid for drawing construction documents for any part of the garage that could not be constructed with the funds available, Contract, ¶ 3.5, TRP Exhibit B-1; *see also*, Auerbach Exhibit 4.

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Railroads, and Auerbach then drew up construction drawings for the cutback garage to be put out for bid.

The bids were obtained, which showed that the parking facility was still too big to be built with existing funds, and the Railroads again asked Auerbach to cut the plans back by revising the construction drawings. However, Auerbach did not delete the eliminated portions but rather marked them to show they were to be treated as deleted (a practice common in the industry). This last cutback marked out one entire floor and the north 33% of the building, along with various related components and features. We will call these marked-out portions of the drawings the "deleted" drawings, and it is these that are the subject of the copyright infringement claim. If additional funds had become available and these components and features had been constructed from Auerbach's "deleted" drawings, Auerbach would have received a fee based on a percentage of those construction funds in accordance with ¶(E)(3) of his contract with the Railroads.

Subsequently in 1982, as will be seen, such additional funds did become available and these deleted components and features were or are being constructed by the District of Columbia, to whom the U.S. assigned all construction responsibility. Although Auerbach's "deleted" drawings were copied and used for this additional construction, he has never been paid anything for them.

At any rate, returning to 1974, construction began on the parking facility as finally cut back by Auerbach. As construction progressed, the United States requested that additional features be added to the building as cut back, under various contract amendments, *see* TRP Exhibits B-2 to B-5, and added funds to pay for them (and Auerbach received additional fees). But the basic project

began to have major cost overruns due to inflation and waste.

Finally in 1976, with $30 million having been spent and the facility even as cut back being only partially built, the United States decided to stop construction for lack of funds, and mothball the project. Auerbach's contract was terminated pursuant to its own terms.

Upon termination, some minor winding-up disputes arose between Auerbach, his engineering consultants (Sverdrup & Parcel), and the Railroads. A release was entered into between the parties, including the United States. TRP Exhibit C. The release did not give anyone permission to use Auerbach's "deleted" drawings for future construction without compensation.[5]

3. 1981-1986 Construction Phase.

In 1981, under the Union Station Redevelopment Act,[6] the U.S. Department of Transportation ("U.S.DOT") was authorized to complete the parking facility, 40 U.S.C. § 818(a), such construction being funded by federal highway funds assigned to the District of Columbia ($40 million of FHWA funds were authorized to be spent).

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[5] While the point is irrelevant to this certiorari proceeding, it should be noted that TRB claims that the release did give implied permission, but that seems absurd. The point was not among the enumerated disputes that were negotiated. *See* Affidavit of Auerbach, ¶ 5. Nor is it surprising that it was not a point for discussion because under the contract itself (¶ (E)(3) and 3.5) Auerbach was clearly not entitled to any compensation for the "deleted" drawings unless and until funds became available to construct the deleted components and features. TRP Exhibit B-1; *see* Affidavit of Auerbach, ¶¶ 5-7. No money was earmarked to pay for the deleted drawing, so if TRB is correct, Auerbach gave up very valuable property rights with no discussion and no consideration.

[6] 95 Stat. 1667, 40 U.S.C. §§ 811-819.

The U.S.DOT was also authorized to enter into an agreement through the Federal Highway Administration ("FHWA") with the District of Columbia Department of Transportation ("D.C.DOT"), for the latter to contract for and supervise completion of construction of the parking facility. TRP Exhibit E.[7] D.C.DOT then hired Sverdrup & Parcel ("S&P"), Auerbach's former engineering consultants, to provide architectural and engineering services for completion of the parking garage. TRP Exhibit F. S&P in turn hired subcontractors Devroux & Purnell ("D&P"), Jackson & Tull ("J&T"), and Legion Design Systems, Inc. ("LDS") to provide various architectural and engineering services. TRP Exhibit G; LDS Attachment 1.

S&P was required under its contract with D.C.DOT to inspect the existing mothballed structure and to compare that structure with:

> ". . . existing contract documents, including original plans and specifications, and determine the degree of agreement of said plans with the constructed parking facility and connecting ramps." TRP Exhibit F, Article III, Section 1.

After this task was done, S&P reported that the old Auerbach drawings were not suitable, and new drawings would have to be prepared. S&P was then hired to pre-

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[7] Petitioner (Pet. 4) tries to make the United States out to be "in complete control of the Project and the Contract." It is true that the U.S. was fairly active during the first construction phase (1968-1976), but the U.S. had little or no operational responsibility in the second phase (1981 to present), because all operational responsibility had been transferred to the District of Columbia by the 1981 Act of Congress and contracts made pursuant to that Act. All construction contracts were let by the District, including the one under which one or more of the defendants committed the infringement.

pare complete and detailed new construction plans and specifications, TRP Exhibit F, Article V, Section 1. Sometime in 1983, these plans and specifications were completed and put out for bid. The drawings bore the names of S&P as primary author, and D&P, J&T and LDS as co-authors.

Eventually Auerbach heard about the new plans, obtained a copy, and compared them to his own "deleted" drawings. He found them to be identical in many respects on items that he had designed, even to the point that minor errors on his drawings were repeated in S&P's drawings. S&P has never denied that the S&P drawings were copied from Auerbach's "deleted" drawings.

4. Distribution of Liability.

Under the various contracts, liability is distributed as follows:

(1) In the original 1968 agreement between the United States and the Railroads, as amended in 1974 (and presumably now irrelevant because superseded by later agreements made when the District of Columbia took over), the United States was:

> ". . . responsible for management and payment for all such [construction] work, including, subject to the terms of Paragraph 12 hereof, sole and exclusive liability for claims incident thereto." TRP Exhibit A, ¶ 9.

The agreement made clear that the foregoing did not relieve any of the parties for liability for its *own* actions—the agreement provided in Paragraph 12:

> "In addition, and notwithstanding any other provision hereof, each party hereto agrees that *it shall be responsible for its own acts and the results thereof and shall not be responsible for the acts of any other party and the results thereof.* Each party therefore agrees, subject to Paragraphs 3 and 5 hereof [not

> relevant], that it will assume all risk and liability to itself, its agents or employees, for any injury to persons or property resulting in any manner from the conduct of its own operations, and the operations of its agents or employees hereunder, and for any loss, cost, damage, or expense resulting at any time from any and all causes due to any act or acts, negligence, or the failure to exercise proper precautions, of or by itself or its own agents or its own employees, in connection with or arising out of its activities related to the National Visitor Center project." TRP Exhibit A. (Emph. added.)

(2) In the 1982 agreement between the U.S.DOT and D.C.DOT, which is the relevant agreement, the latter assumed liability "for that design and construction work on this project for which it is responsible" under the contract. TRP Exhibit E, ¶ 7. That would include the S&P drawings and construction of the "deleted" features and components.

(3) Significantly, as between D.C.DOT and S&P, the latter indemnified D.C.DOT for any liability for copyright infringement. TRP Exhibit F, General Provisions, ¶ I, B, 3.

5. Ownership of Drawings.

Of the documents presented to the District Court, only one expressly states who owns the drawings produced by Auerbach.[8] The 1973 bid specifications, prepared by Auerbach was put out for bid, state that the drawings shall remain the property of the architect. Auerbach Exhibit 5.

The 1969 contract between Auerbach and the Railroads did not address ownership but contemplated that a

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[8] Although the court below did not address the issue of ownership of the drawings, it is relevant to whether the drawings were permissibly used and whether *anyone* had the authority to copy them without Auerbach's permission.

reproducible set of Auerbach's drawings would be submitted to the owner for "as built" [9] reference purposes. Par. 1.1.14. TRP Exhibit B-1. Auerbach's duty to provide an "as built" set of drawings was reiterated in the final release between the Railroads and Auerbach, which stated in Par. 7 that "As soon as feasible, Auerbach and S&P will furnish to TRB reproducible copies of prints and drawings *as required by section 1.1.14* of the Contract." TRP Exhibit C. (Emph. added.)

Auerbach did furnish reproducible copies of his drawings to the Railroads, on which the "deleted" features and components still appeared, plainly marked as deleted.

6. Congressional Hearings.

In 1981, a Senate Committee held hearings on having the District of Columbia resume construction at Union Station.[10] The Hearings focused on (a) the necessity of structural studies of the Union Station Building because the roof was leaking, and (b) the high cost involved in completing the adjacent Parking Garage. Secretary Lewis of the U.S. Department of Transportation had requested funding for engineering and marketing studies

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[9] "As built" is a term of art and it encompasses uses for repair of mechanical or electrical systems and fixtures, for interfacing with any future addition to a building, estimating, etc. Obviously, by definition it does not refer to drawings of components and features not built. This was understood by the Railroads, *see* Affidavit of Harry J. McNally. *See also* Affidavits of Jesse Weinstein and Theodore Mariani for a discussion of "as built" drawings. Permission to copy the drawings, to produce derivative works, or distribute them to the public for private gain, in violation of Auerbach's copyrights, clearly was not contemplated when "as built" drawings are given to the owner.

[10] *Union Station—National Visitors Center Hearings on S.548 and S.1192 Before the Senate Committee on Environment and Public Works*, 97th Cong., 1st Sess. 6-8 (1981) (hereinafter referred to as "Hearings").

on the Union Station Building. The building had badly deteriorated, and there was a question as to its structural integrity. Structural studies existed but Lewis wanted overall studies of the project to determine realistic uses for the building.

The studies for the parking facility evaluated alternative uses, such as providing bus services out of the garage. The hearing testimony reveals that discussions of the use of Auerbach's drawings focused on using the drawings for examining the structural integrity of the structure and studying the possibilities of making modifications to it. Hearings at 10. In addition, cost studies based on the drawings were discussed. *Id.* at 12. That this was the intent is borne out by the contract between S&P and D.C.DOT, which called for a detailed examination of the structure.[11]

Certainly no one pointed out to the Senators during the hearings that copying Auerbach's unpaid-for drawings for future construction would be a copyright infringement and that using them without copying would be a misappropriation of his property rights. Incidentally, only copying (or the violation of some other exclusive copyright right)—and not mere use—would invoke 28 U.S.C. § 1498(b). If any of the witnesses or Senators believed Auerbach's drawings would be used for future construction, they undoubtedly assumed they were paid for and available for use. It strains credulity to suppose that if the point had been raised expressly, the Committee would have approved infringement of those drawings without paying for them.

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[11] The Petitioner argued below that the U.S. had turned over the drawings to D.C.DOT for the express purpose of copying the drawings. The Court of Appeals rejected this factual assertion, noting that upon remand Auerbach intended to prove through an affidavit that the U.S. turned the drawings over to D.C.DOT for safekeeping because the roof of the Union Station building where the drawings were stored was leaking. Pet. App. 11a-12a.

7. Rulings Below.

Auerbach sued the Railroads, the District of Columbia, S&P and its subcontractors, and others. TRP moved to dismiss based on 28 U.S.C. § 1498(b), arguing Auerbach's exclusive remedy for infringement was a suit against the United States in the U.S. Claims Court. On March 26, 1986, the District Court handed down its memorandum order. It held that § 1498(b) applied, and that therefore Auerbach's exclusive remedy was against the United States in the U.S. Claims Court.[12]

On appeal, the Court of Appeals for the District of Columbia Circuit reversed, holding the District Court did not apply the proper test under 28 U.S.C. § 1498(b) since the District Court did not determine whether the United States authorized or consented to the infringement, which is the statutory predicate for liability. The case was remanded for further proceedings to allow TRP to present any new evidence of authorization and consent to copyright infringement. Those proceedings, which will determine whether or not § 1498(b) applies in this case, are awaiting this Court's decision on whether to grant certiorari.

REASONS WHY THE PETITION SHOULD BE DENIED

1. The Court of Appeals Decision is Faithful to the Language and Legislative History of 28 U.S.C. § 1498(b).

Petitioner's primary claim is that the Court of Appeals decision has done violence to the language and legislative history of 28 U.S.C. § 1498(b), which reads:

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[12] In order to check the possibility of a simpler resolution, Auerbach also filed a claim with the U.S.DOT, arguing that under § 1498(b) the U.S. was liable for the infringement (exactly as *Petitioner* claims now). The U.S.DOT, which has authority under § 1498(b) to settle such claims, rejected the claim on the ground that the U.S. never authorized or consented to the defendants' infringement. The decision is in the record below, *see* reference to it in opinion below, Pet. App. 12a.

> "Hereafter, *whenever the copyright* in any work protected under the copyright laws of the United States *shall be infringed* by the United States, by a corporation owned or controlled by the United States, or *by a contractor*, subcontractor, or any person, firm, or corporation *acting* for the Government and *with the authorization or consent of the Government*, the exclusive remedy of the owner of such copyright shall be by action against the United States in the Claims Court . . . ." (Emph. added.)

This statute, Petitioner argues, makes the United States liable for copyright infringement, regardless of whether the United States has authorized or consented to the infringement, so long as the United Staes has authorized or consented generally to the contractor's work under the contract.

We agree that is one possible interpretation of the statute, and if correct, then the court below erred. Another interpretation is that the authorization or consent must be to the infringement itself. Unfortunately for the Petitioner, the legislative history of 28 U.S.C. § 1498(b) clearly indicates that Congress intended the latter. The Senate Report states:

> "The purpose of the proposed legislation, as amended, is to provide a remedy in the Court of Claims for the infringement by the U.S. Government or by any contractor acting with its consent, of any work protected under the copyright laws of the United States *where such infringement was with the authorization or consent of the United States.* To put it another way, the bill would waive the sovereign immunity of the United States for infringement of copyrights by extending the provisions of section 1498 of title 28, United States Code, to permit an action in the Court of Claims for a copyright infringement."

Senate Report No. 1877, 86th Cong., 2d Sess., *reprinted in* 1960 U.S. Code Cong. & Admin. News 3444 (emph. added).

The Senate report further states:

> "In addition, it affords the right of recovery for copyright infringements by contractors and subcontractors who perform work for the United States *where such contractor infringes with the consent of the Government.*"

Id. at 3446 (emph. added).

Thus, it is clear that Congress contemplated that 28 U.S.C. § 1498(b) would be a waiver of sovereign immunity in those cases where the United States *consents to the infringement.*[13] The Court of Appeals decision *relied* on this clearly stated congressional purpose, Pet. App. 8a, far from conflicting with it as Petitioner argues.[14]

This legislative purpose, while directed to § 1498(b) (copyrights), appears even stronger on the face of § 1498(a) (patents), which though enacted much earlier than the copyright part, has similar language. Section 1498(a) states:

> "(a) *Whenever an invention* described in and covered by a patent of the United States *is used or manufactured by or for the United States without license* of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the United

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[13] Section 1498 is a waiver of sovereign immunity and therefore is to be strictly construed. *Windsurfing International, Inc. v. Ostermann,* 534 F.Supp. 581, 588 (S.D.N.Y. 1982), *citing Leesona Corp. v. United States,* 599 F.2d 958 (Ct.Cl.), *cert. denied,* 444 U.S. 991 (1979); *Decca Ltd. v. United States,* 640 F.2d 1156, 1170 (Ct.Cl. 1980), *cert. denied,* 454 U.S. 819 (1981); *United States v. Mitchell,* 445 U.S. 535, 538 (1980).

[14] We assume it is true, as Petitioner says (Pet. 13), that the USIA suggested to Congress that the bill would make the U.S. liable for unintentional infringement. However, Petitioner points to no evidence that Congress accepted the USIA's suggestion, and the Senate Report quoted above is flatly to the contrary.

States Claims Court for the recovery of his reasonable and entire compensation for such use and manufacture.

"For the purposes of this section, *the use or manufacture of an invention* described in and covered by a patent of the United States *by a contractor*, a subcontractor, or any person, firm, or corporation for the Government and *with the authorization or consent of the Government*, shall be construed as use or manufacture for the United States." (Emph. added.)

The second paragraph deals with vicarious Government liability, and says liability is triggered by the contractor's infringing *use* of a patented invention [15] *"with the authorization or consent of the Government"*. On its face this would seem to leave no room for the argument that the U.S. is vicariously liable for the infringing patent use without its consent, merely because the infringing use occurred while the contractor was acting under a consented-to contract.

Due to the differences in the exclusive rights granted to patent and copyright owners, the copyright clause of § 1498 reads slightly differently, but leads to the same result—to be vicariously liable, the U.S. must consent *to the infringement.*[16] The legislative history we have

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[15] Obviously "use . . . of [a patented] invention" means *infringing* use (no other meaning makes sense). *See Carrier Corp. v. United States*, 534 F.2d 244, 249 (1976) (§ 1498(a) "expressly provides that any use of a patented invention for the Government must be authorized or consented to").

[16] Instead of referring to the contractor's *infringing use* with the authorization or consent of the U.S., the copyright section refers to infringement by a contractor who is *"acting"* with the authorization or consent of the U.S. Since § 1498(b) may be triggered only by an affirmative *act* of copying (or the act of violating some other exclusive copyright right), and mere use of a copyrighted work will not suffice, it seems clear that the Government must consent to the *act* of infringement.

cited above says exactly this with respect to the copyright clause.[17]

Moreover, although the mere use of a patented device may constitute patent infringement, mere use of a copyrighted work does not. It cannot be overemphasized that this difference in substantive law defines an area in which § 1498(a) patent infringement cases are inapplicable to cases of copyright infringement under § 1498(b). Instances involving mere use of a copyrighted work, without more, would not trigger § 1498(b) because they *do not by definition involve copyright infringement.* Significantly, Petitioner completely ignored this important difference between patent and copyright law and argued misleadingly that patent cases under § 1498(a) are controlling in copyright cases under § 1498(b). *See* Pet. 14 n.14; 20 n.23.

2. There is No Conflict in the Law Since The Cases Interpreting 28 U.S.C. § 1498 are Clear that the Consent Must Be to the Infringement, Not Merely to the Work Being Performed Under the Contract.

Petitioner contends that the Court of Appeals ruling (that the U.S. must consent to copyright infringement before it assumes liability under § 1498(b)) conflicts with other case law interpreting that statute. Pet. 19, 23.

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[17] Petitioner seems to be arguing for vicarious U.S. liability only for "innocent and unintentional" infringement by contractors, Pet. 11, 12, and not where the contractor knowingly or willfully "chooses" to infringe for its own profit. Pet. 17. The facts of this case are still undeveloped because no discovery has been conducted, but is is likely that the infringement here *will* prove to be knowing and willful.

Petitioner says (Pet. 29 n.31) that if § 1498 applies and the Government therefore becomes the sole defendant, the Government will be able to claim an implied license (because the project was paid for by Government funds), which if true would leave Auerbach without any remedy whatever for the conversion of his designs by these private defendants, who have greatly profited from their infringement. For defendants thus to escape the consequences of their wrongdoing would be unconscionable, and is all the more reason the U.S. should not be made to defend the case.

That is not true. There is only one copyright case construing § 1498(b) other than the decision below, and the two are in complete agreement. Even among the patent cases construing § 1498(a), all but one (*Bereslavsky*), and perhaps not even that one, hold that vicarious liability under § 1498(a) requires consent to the *infringement* itself.[18]

a. *The Single Copyright Case Under § 1498(b).*

The one and only case (besides the court below) that has construed the *copyright* part of § 1498 concluded, consistent with the legislative history and the Court of Appeals decision below, that consent to the infringement itself is required. *Combustion Engineering, Inc. v. Murray Tube Works, Inc.*, 222 USPQ 239 (E.D.Tenn. 1984). In that case, the United States was seeking bids for the repair of naval boilers. The United States had received detailed engineering drawings from the manufacturer when the United States brought the boilers, and the bid package it sent out contained these drawings. A parts supplier copied the drawings and placed his name on the title block (similar to what happened in our case). The copyright owner sued the infringer. The latter argued that the copyright owner's exclusive remedy was against the United States under § 1498(b). The court disagreed, finding the United States in no way consented to the copyright infringement eevn though it supplied the drawings to the infringer:

> "There is absolutely no indication that any infringing was done with the authorization or consent of the government as required by Section 1498(b)." 222 USPQ at 243.

b. *Patent Cases Under § 1498(a).*

Combustion Engineering has many similarities to this case and is in line with the cases construing the patent

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[18] The requirement for U.S. consent to infringement was the basis for the U.S. DOT denying Respondent's claim for compensation, see note 12 above.

part of § 1498. Those cases too require consent to infringement:

Wood v. Gulf Atlantic, 296 F. 718, 722 (D.Ala. 1924) (held, U.S. knowledge of infringement required; it would be "going too far" to hold Government liable for use of patented device by contractor "when they did not know he was using it");

Bereslavsky v. Esso Standard Oil Co., 175 F.2d 148, 150 (4th Cir. 1949) (consent to infringement found by virtue of necessity);

Consolidated Vacuum Corp. v. Machine Dynamics, Inc., 230 F. Supp. 70, 72 (S.D.Cal. 1964) (court noted "the necessity for the Government's consent to use of the patented article");

Croll-Reynolds Co. v. Perini-Leavell-Jones-Vinell, 399 F.2d 913, 915 (5th Cir. 1968) (court agreed that U.S. consent was required and found it in the Government's approval of and payment for the dam);

Molinaro v. Watkins-Johnson CEI Div., 359 F. Supp. 467, 472 (D.Md. 1973) (required consent supplied by acceptance of the products incorporating infringement, under a contract which had an express consent-to-infringement clause);

Carrier Corp. v. United States, 534 F.2d 244, 248 (Ct.Cl. 1976) ("We find the Government has not authorized or consented to any infringement of plaintiff's patent");

Hughes Aircraft Co. v. United States, 534 F.2d 889, 899 (Ct.Cl. 1976) (where court addressed issue of "whether the Government gave its authorization and consent for any infringements . . .");

Windsurfing International, Inc. v. Osterman, 534 F.Supp. 581, 589 (S.D.N.Y. 1982) ("authorization relied upon by [the infringer] was made without the [Government's] knowledge that a particular infringement was being planned . . .").

3. Consent to Infringement Need Not Be by Express Formal Agreement.

While virtually all the cases agree that legally, the test for vicarious liability is consent to infringement, they vary, as might be expected, on the factual question of whether the U.S. has in fact consented.

Consent to infringement may be found in many ways. The courts do not require a formal, express agreement by the Government to accept liability in patent cases, though, in fact, such agreements are common.[19] Assumption of liability for patent infringement can also be informally communicated,[20] it can be based on actual U.S. knowledge of the infringement, and it can be implied from necessity,[21] provided the contractor could not have satisfied the Government's requirements without infringement.[22]

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[19] A boilerplate consent-to-liability-for-infringement clause is quite often found in Government contracts. *See, e.g., Carrier, Hughes, Croll-Reynolds,* and *Molinaro, supra. See also* the opinion of the court below, Pet. App. 11a. No such clause exists in the instant case.

[20] *See, e.g., Hughes, supra,* 534 F.2d at 901, where the court stated that " ' "authorization or consent" on the part of the Government may be given in many ways other than by letter or other direct form of communication'—*e.g.*, by contracting officer instructions, by specifications or drawings which impliedly sanction and necessitate infringement . . . ."

[21] *E.g., Bereslavsky, supra,* 175 F.2d at 150, where the court found consent because, *inter alia,* the contract required certain things which "necessarily resulted in a product containing the infringing ingredients," and the U.S. officers knew about and encouraged the infringement. Unlike in *Bereslavsky,* there was no necessity in our case. As the court below said, "Aside from a desire to save money, nothing necessitated appellees' apparent decision to copy the deleted parking drawings." Pet. App. 10a.

[22] *Windsurfing, supra,* 534 F. Supp. at 588 ("If the government requirements can be satisfied without an infringement, authorization or consent will not be implied").

Thus, consent to infringement is often based on factual circumstances short of express agreement. Obviously this is no cause to wail that the statute has been "abrogated" or "nullified." Pet. 10, 12.

a. *The Bereslavsky Case is Not in Conflict.*

Petitioner contends that the *Bereslavsky* case, *supra*, held that consent to patent infringement is not required. Pet. 19-20. We do not believe *Bereslavsky* meant this, although there is some confusing dicta that might at first glance support that argument.

In *Bereslavsky*, the patentee argued that the U.S. had not *expressly* contracted for a product that would infringe a U.S. patent. The court held the Government need not *expressly* contract for what would infringe, but that consent to infringement could be implied. It found Government consent was implied by virtue of necessity from the fact that the contract could not have been fulfilled without committing patent infringement. 175 F.2d at 150. Petitioner does not claim that this rationale is in legal conflict with the opinion of the court below.

Bereslavsky also found that the U.S. was *in fact* aware of and encouraged the infringement. 175 F.2d at 150, 151. Petitioner also does not claim any legal conflict arising from this finding.

Rather, Petitioner (Pet. 20) finds the conflict to be with the following statement from *Bereslavsky* (175 F.2d at 150, which we quote more fully than did Petitioner):

> "In the second place, there is no language in the statute which limits its application to cases where the government *contracts expressly* for what will infringe, but, on the contrary, it applies in any case where the invention of the patent is 'used or manufactured by or for the United States'. To limit the application of the statute to cases where officers of the government *intentionally contract* for patent in-

fringement would in very large measure defeat its purpose." (Emph. added.) [23]

The *Bereslavsky* court, having found that the Government's contract could not be performed without patent infringement, and that the Government officers had been fully aware of this, was hardly saying that consent to infringement was not necessary under § 1498(a). In our view, it was obviously merely saying—as the italicized words in the quotation show—that the consent does not have to be formally expressed in the contract, a proposition that is in complete harmony with the other patent cases cited at p. 17 above, and with which the court below agreed, indeed citing *Bereslavsky*. Pet.App. 10a.

b. *Mere Government Use of a Product Involving Copyright Infringement by the Contractor is Not Implied Consent to the Infringement.*

After making the statement quoted above, *Bereslavsky* went on to say that the authorization or consent clause was irrelevant in any case, because "Here the product of the patent was *used by the government itself* . . . ," and therefore under the first paragraph of § 1498(a) the Government was *directly* (not vicariously) liable without more.[24]

This rationale (that upon acceptance the U.S. automatically becomes a direct infringer by use of the infringing product), even if it is a valid rationale so far

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[23] The unauthorized manufacture, use, or sale of a patented device constitutes infringement. 35 U.S.C. § 271(a). By contrast, unauthorized copying, creation of derivative works, or public distribution, display, or performance of a copyrighted work, constitutes infringement. 17 U.S.C. §§ 106, 501.

[24] *Id.* at 150, emphasis added. The first paragraph of § 1498(a) says that the Government is liable whenever a patented invention is "used . . . by . . . the United States without license of the owner . . . ." Pet. App. 17a.

as patents are concerned,[25] would not apply to copyrights, which are intrinsically different from patents in what constitutes infringement. Copyright infringement consists only of the *copying* of the original work (or the making of a derivative work therefrom or the distribution of copies). It is not copyright infringement to *use* the copyrighted drawings or to construct something based on them. *See Combustion Engineering, supra,* 222 USPQ at 244 ("The fabrication of an article depicted in a copyrighted drawing is not protected"). So, under present copyright law, building the parking garage based on Auerbach's original drawings, or for that matter on the copied drawings, was not infringement.

In the case of a patent, on the other hand, each use of the infringing device is a new infringement (35 U.S.C. § 271(a)), so that the Government itself commits a new infringement when it uses a product built for it by a contractor, incorporating an infringing device. But this does not apply to copyrights, and construction of the parking facility according to the copied drawings does *not* constitute copyright infringement.

These important differences between copyrights and patents have not yet been explored by the lower courts in the context of § 1498, or indeed, by the trial or appeals court in this very case, as these issues were preempted by the District Court's dismissal, which has now been reversed and remanded for trial by the appeals court below. Until further law develops in the copyright area of § 1498, or at least until further facts are developed in this case on remand, this Court may find it pre-

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[25] Which it is not, at least not as an automatic rule. Most courts have said that if the contractor did not have to infringe, then the U.S. does not become liable by mere acceptance of the product without awareness of the infringement. *See, e.g., Wood, Consolidated Vacuum, supra,* and especially *Carrier, supra,* 534 F.2d at 249.

mature to consider the vicarious liability issue in the copyrights context.[26]

c. *The Court of Appeals Decision is Not Inconsistent With Richmond Screw Anchor.*

The Petitioner contends (Pet. 14-16) that the decision of the court below is inconsistent with this Court's decision in *Richmond Screw Anchor Co.* v. *United States*, 275 U.S. 331 (1928), arguing that *Richmond* held the U.S. was an indemnitor of government contractors, and that the court below has dissolved this protection. That is not so; the court below merely held, as have many cases before it, that the U.S. must consent to the patent infringement *before* it becomes an indemnitor. *Richmond* was decided long before the authorization or consent clause was added to § 1498(a), and did not discuss or involve the authorization or consent issue.

* * *

Based on the preceding discussion it is clear that the decision of the Court of Appeals below is faithful to the intent of Congress and the case decisions, holding that the U.S. must consent to the infringement before it will be vicariously liable under § 1498. Obviously, there is a wide variety of factual situations among the cases, but none requiring correction or clarification of the law.[27]

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[26] Petitioner also says (Pet. 25-26) that the decision below adds a third element (intent) to copyright liability law that would apply only to the U.S. Nonsense. The question of intent is a constituent element of § 1498, not of copyright law. Congress is clearly free to determine if the United States must intend to consent to copyright before it becomes vicariously liable for infringement.

[27] The Petitioner also raises an indispensable party question, arguing that the Court of Appeals failed to properly consider the issue. The Court of Appeals did address the issue and found that, absent consent to infringement, the United States cannot be liable

CONCLUSION

Petitioner's writ for certiorari should be denied.

Respectfully submitted,

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for the defendant's infringement, and therefore is not indispensable. Pet. App. 13a.

Clearly, complete relief for Auerbach is available from those already parties since each infringer is separately liable to Auerbach. Nor will any of the named parties be subject to any inconsistent liabilities. The contracts already set forth the respective liabilities of the parties, *inter sese*, and if any defendant has a claim against the United States (which is highly doubtful), it can go to the United States Claims Court for complete relief.

We note also that the defendant apparently most closely connected to the copying of Auerbach's drawings, S&P, expressly agreed to indemnify the District of Columbia for any copyright infringement claims, and this would place both S&P and D.C.DOT in front of the United States in any liability line-up. Petitioner claims that the U.S. accepted liability for the defendants' acts (Pet. 3-4). But the U.S. does not become an indispensable party simply because it may have to indemnify a defendant later. *Rochester Methodist Hospital v. Travelers Ins. Co.*, 728 F.2d 1006, 1016-17 (8th Cir. 1984).